

WHAT IS A TEP ?

- A with-profits endowment policy that is a life assurance policy providing a combination of life assurance and life assurance and savings, with the sum assured plus bonuses payable at maturity or on earlier death, that is sold by the original policyholder part-way through its term, for a capital sum.
- The purchaser, an investor, pays the premiums and collects the benefits payable on maturity.

WHY A MARKET?

Because investors believe that there is more value in an on-going policy than life offices are able to pay by way of surrender value.

BACKGROUND

- Early market since 1843
 - Modern market since 1989
 - FSA (COBS 16.5.1R)
- “When a long-term insurer receives any indication that a retail client wishes to surrender a life policy which is of the type that may be traded on an existing secondary market for life policies, it must, before accepting a surrender, make the policyholder aware that he may be able to sell his policy instead, how he may do so and that there may be financial benefits in doing so”

Life Office Benefits

- Policy remains in force
- No payment out from WP fund on surrender
- Premium flow continues
- Improved persistency
- Policyholder satisfaction
- FSA compliance

PARTICIPANTS

SELLERS

Policyholders

- Changed circumstances
- Need cash

INVESTORS

- Institutional funds
- Overseas funds
- Pension funds
- High net-worth individuals

MARKET MAKERS & AUCTIONEERS

1st Policy Company

Absolute Assigned Policies

Foster & Cranfield (Auctioneers)

Neville James

SL Investment Management



Association of Policy Market Makers

- Established in 1992 to promote and orderly market and raise awareness
- Code of Practice
- APM and all member companies authorised and regulated by the FSA
- Centralised web-based distribution system for circulating policy details to members, to allow competitive quotes.

ACTION POINTS

Review existing surrender procedures:

- Are they compliant?
- Do they provide best opportunity for policyholder and with-profits fund?

Contact APMM



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